



ธนาคารทหารไทยธนชาต จำกัด (มหาชน)
TMBThanachart Bank Public Company Limited

Management Discussion and Analysis

For the 2nd quarter and 6-month period ended 30 June 2024

(Audited financial statements)

TMBThanachart Bank Public Company Limited

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Management Discussion and Analysis

Executive summary: Economic review & outlook

Thai economy in the second quarter of 2024: Thai economy showed a decelerated expansion from the previous quarter, which was attributed to weaker private consumption spending in almost all categories as well as service sector regarding to tourism during low season as reflected by the average monthly inbound figures during this quarter of 2.71 million persons per month, compared to 3.12 million persons in the previous quarter. With respect to living costs, price pressures had increased slightly as shown in the acceleration of headline inflation rate to be at 0.78% on an annual basis (YoY) expansion, compared with 0.78% (YoY) contraction in previous quarter, due to the low base effect from electricity subsidies by the government last year, as well as higher diesel prices due to the gradual uplift of government's subsidies, while core inflation rate rose at 0.38%. Nevertheless, government expenditure turned acceleration from the previous quarter from both current and capital expenditure disbursement after the Budget Act, B.E. 2567 was enacted towards the end of April. Additional, merchandise exports in this quarter expanded at 2.0% (YoY), improving from an annualized rate of 0.2% contraction in the previous quarter following the expansion in the main agricultural exports as high crop production and recovery in industrial products in tandem with the global product cycle and global manufacturing sectors. The average monthly value of merchandise exports for this quarter was at 24.8 billion US dollar per month.

Financial market & banking industry: The Monetary Policy Committee (MPC) decided to maintain the policy rate at 2.50% in the second and third meeting of the year in April and June 2024. The decision based on the assessment that the Thai economy continues to expand, driven mainly by domestic demand as well as acceleration in government disbursement during the second quarter. However, export growth remains subdued as some merchandises are facing additional pressures from higher competition. Headline inflation is anticipated to gradually return to target range by the fourth quarter of 2024 onwards, with medium-term inflation expectations remaining consistent with the target. Regarding domestic commercial banking, total loans in the end of June 2024 contracted by 0.5% (YoY), compared to an annualized of 1.0% contraction in March. Meanwhile, deposit grew by 1.9% (YoY), improving from a 1.2% expansion (YoY) in March. Regarding Thai baht in the second quarter of 2024, it was on an average of 36.71 baht per US dollar, down from the previous quarter's 35.66, representing a depreciation of 2.9% (QoQ) and 7.3% compared to the end of 2023. At the start of the quarter, the Thai Baht peaked for the year at 37.20 baht, buoyed by a strong dollar. Moreover, the Thai baht faced additional pressures from seasonal dividend outflows and reduced tourist activity. Subsequently, the Thai baht began to gain momentum and moved within a tight range, partly due to declines in the US dollar, following disappointing economic data and signs of more benign price pressures in the US. Nevertheless, the US dollar still gained overall in the last quarter, supported by non-US factors such as political uncertainty in Europe, fragile economic outlook in China, and US-Japanese interest rate differentials.

Economic outlook for the third quarter of 2024: Thai economy would continue to expand as supports from public investment is expected to rebound in an accelerating pace towards the end of fiscal year of 2024. Private investment also improved in tandem with the rebound of domestic demand and investment stimulus packages. Meanwhile, domestic consumption expected to be decelerated during the lower number of foreign tourists during low season as well as impacts from economic stimulus and living cost supporting measures subsided. As such, ttb analytics assesses that Thai economy remains under high uncertainties from both domestic and external factors in the periods ahead, and thus estimates that the growth figure of Thai economy in 2024 would be at 2.6%. In terms of inflation, headline inflation in this year would gradually below the lower-bound inflation target of the Bank of Thailand. Regarding tourism sector, it is projected that the number of foreign tourists inbound would be at 35 million persons in 2024. Meanwhile, value of merchandise exports would gradually recover with the estimated value in 2024 expanding at 1.7% (YoY). With respect to financial market, MPC would remain the policy rate of 2.5% throughout the year to maintain price stability, support sustainable growth, and preserve financial stability, however, the policy rate could be declined in case of weak economic growth and significantly low inflation pressure. Meantime, Thai baht in the third quarter of 2024 would move within the range of 34.00-35.00 baht per US dollar.

Research by  ttb analytics

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Summary of TMBThanachart's operating performance

In light of the economic headwinds and challenging prospects ahead, TMBThanachart (TTB) has reaffirmed its prudent business direction of selective loan growth and liquidity recycling strategy to achieve justified risk-adjusted returns while safeguarding the Bank's financial position. As a result, in 2Q24, the Bank continued to deliver decent operating performance underpinned by improving NIM (+8 bps YoY) and stringent cost control suggested by C/I declining to 42%. Fee income in the focus area continued to grow as planned. Asset quality was manageable under the Bank's prudent risk management; the coverage ratio also maintained at a robust level of 152%. In the long run, TTB will maintain focus on leveraging ecosystems and enhancing business performance thru the digital capability that we have been building for the past years to achieve sustainable returns for all stakeholders while enhancing capital utilization in parallel.

Reaffirming the direction of selective loan growth and liquidity recycling with high-yield retail loans progressing on track: TTB maintains the direction of a prudently growing quality portfolio and re-deploying the liquidity towards selective areas, especially the high-yield retail segment, while vigilantly monitoring asset quality along the line to ensure portfolio quality. As of Jun-24, total loans to customers stood at THB1,297 billion, declining by -1% QoQ with the well-executed shift in loan mix. Such a decrease was aligned with our prudent directions amid this challenging business environment. With our liquidity-optimizing plans to redeploy in better risk-adjusted returns areas, the progress of key targeted segments of high-yield retail loans remained on track: Cash Your Car (CYC) +2% QoQ, Cash Your Home (CYH) +4% QoQ, personal loans +3% QoQ, and credit card loans +4% QoQ.

Strategically optimizing deposit level to align with loan growth momentum and liquidity: The Bank has continued to strike a balance between loan and deposit growth to ensure liquidity while efficiently managing funding costs. As a result, as of Jun-24, total deposits reported at THB1,365 billion, declining by -1% QoQ, mainly due to No-Fixed product. Under this high-rate environment, TTB strategically used Time Deposit (TD) as a tactical product to deepen relationships with existing customers and attract the new-to-bank. Given this current LDR level of 95%, we anticipate lower pressure on deposit acquisition and funding costs in 2H24. However, we will continue to leverage our digital platform and ecosystem play initiatives to ensure overall margin and profitability remain intact.

Overall topline growth was pressured by the softening fee income recovery outweighing intact NIM: TTB's NII showed a stabilizing trend despite the cost of fund pressure and the loan growth momentum against the weakening macroeconomic environment. 2Q24 net interest income was reported at THB14,185 million, increasing by +1% YoY. NIM rose by 8 bps to 3.26% from improving yield on earnings assets as a result of the liquidity utilization plan together with the well-executed shift in loan mix. Fee income in the focus area continued to grow as planned. However, there remained a challenge for overall fee income recovery, particularly Bancassurance fee (BA) that links to new loan bookings. As a result, overall fee income growth remained soft. In sum, total operating income decreased by -2% YoY to THB17,372 million in 2Q24.

Despite the challenging environment to grow topline, prudent cost control remained the key to support PPOP growth: In 2Q24, TTB reported OPEX at THB7,210 million, a decline of 8% YoY, mainly due to our streamlining costs strategy aiming to achieve optimal efficiency. In addition, the cost discipline that has been ingrained in all of our operations remains one of our priorities to ensure cost efficiency while expenditures and investment for digital-first transformation still growing at a slower pace than topline growth. Thus, the cost-to-income ratio could improve to 42% in 2Q24 compared to 44% in 2Q23. As a result, pre-provision operating profit (PPOP) increased by +2% YoY to THB10,096 million in 2Q24.

Remain proactive in de-risking loan portfolio ensuring asset quality was in check: On top of our quality growth strategy and tightening underwriting criteria, we continued to proactively de-risk weak loans through effective sales and write-off activities to keep the portfolio clean amidst the slow economic recovery. As of Jun-24, NPLs totaled THB40,105 million, which declined from Dec-23, and the NPL ratio was well-contained at 2.64%, remaining within the target guidance. In addition, the Bank continued to strengthen the risk absorption buffer to limit future downside risks from economic uncertainties by setting aside additional provisions on top of the normal provision level amounting to THB1,087 million. Therefore, the total expected credit loss (ECL) for this quarter was THB5,281 million. Excluding such an extra provision, 2Q24 normal ECL level equaled THB4,194 million, equivalent to a credit cost of 129 bps. This level of normal provision was relatively in line with the Bank's target. In addition, the coverage ratio was maintained at a robust level of 152%.

After provision and tax benefit, TTB reported THB5,355 million of net profit in 2Q24 which increased by +17% YoY, representing an improving ROE of 9.2% from 8.2% in 2Q23.

At the end of June 2024, the Bank still has the remaining tax benefit of THB12.7 billion that can be subsequently recognized within 2028. The recognition will not be on a straight-line basis but will be subject to the estimation of future net profit stream.

Discussion of operating performance

Figure 1: Selected Statement of Comprehensive Income

(THB million)	2Q24	1Q24	% QoQ	2Q23	% YoY	1H24	1H23	% YoY
Interest income	21,044	21,084	-0.2%	19,441	8.2%	42,128	37,917	11.1%
Interest expenses	6,859	6,688	2.6%	5,349	28.2%	13,547	10,322	31.2%
Net interest income	14,185	14,396	-1.5%	14,093	0.7%	28,581	27,595	3.6%
Fees and service income	3,133	3,414	-8.2%	3,545	-11.6%	6,547	7,046	-7.1%
Fees and service expenses	924	960	-3.7%	886	4.3%	1,884	1,827	3.1%
Net fees and service income	2,209	2,454	-10.0%	2,659	-16.9%	4,664	5,218	-10.6%
Other operating income	978	819	19.4%	1,008	-3.0%	1,797	1,817	-1.1%
Non-interest income	3,187	3,273	-2.6%	3,668	-13.1%	6,460	7,035	-8.2%
Total operating income	17,372	17,670	-1.7%	17,760	-2.2%	35,042	34,630	1.2%
Total other operating expenses	7,210	7,570	-4.8%	7,863	-8.3%	14,781	15,166	-2.5%
Expected credit loss	5,281	5,117	3.2%	4,244	24.4%	10,397	8,520	22.0%
Profit before income tax expense	4,881	4,982	-2.0%	5,653	-13.7%	9,864	10,944	-9.9%
Tax expense (income)	-474	-351	N/A	1,087	-143.6%	-826	2,083	-139.6%
Profit for the period	5,355	5,334	0.4%	4,566	17.3%	10,689	8,861	20.6%
Profit (loss) to non-controlling interest of subsidiaries	0.008	0.009	-7.3%	0.007	14.3%	0.016	0.011	45.5%
Profit to equity holders of the Bank	5,355	5,334	0.4%	4,566	17.3%	10,689	8,861	20.6%
Other comprehensive income	-706	409	-272.6%	-174	N/A	-297	1,100	-127.0%
Total comprehensive income	4,649	5,743	-19.0%	4,392	5.9%	10,392	9,961	4.3%
Basic earnings per share (THB/share)	0.06	0.05	20.0%	0.05	27.1%	0.11	0.09	20.1%

Note: Consolidated financial statement

Net interest income (NII) and Net interest margin (NIM)

For the 2nd quarter of 2024: TTB recorded THB14,185 million of net interest income (NII) in 2Q24, decreasing by 1.5% compared to the previous quarter (QoQ) but increasing by 0.7% compared to previous year (YoY). Details are as follows:

- Interest income decreased marginally by 0.2% QoQ but increased by 8.2% YoY to THB21,044 million. The QoQ decline was primarily from loan growth contraction, aligning with our selective growth strategy against the backdrop of faltering macroeconomic environment. While the overall loan yield that has been improving partly from loan mix shift towards high-yield spaces continued to underpin YoY performance.
- Interest expenses increased by 2.6% QoQ and 28.2% YoY to THB6,859 million, which was attributable to higher funding costs following short-term pressure on deposit repricing impact amid the high interest rate environment.

In the first half of 2024: Net interest income increased by 3.6% YoY to THB28,581 million. Details are as follows:

- Interest income rose 11.1% YoY to THB42,128 million, primarily due to improving yield on earning assets as a result of the liquidity utilization plan and the high interest rate environment amidst the quality growth strategy.
- Interest expenses increased by 31.2% YoY to THB13,547 million, mainly owing to higher funding costs following higher interest rate environment.

NIM improved to 3.26% in 2Q24 from 3.18% in 2Q23.

NIM stood at 3.26% in 2Q24 which declined by 2 bps from 3.28% in 1Q24 but increased by 8 bps from 3.18% in 2Q23. Such a marginal QoQ decline was primarily due to the lingering short-term pressure on deposit repricing impact which was currently at a decelerating trend, and alleviated by the improvement in yield on loans. Meanwhile, the YoY increase was mainly owing to improving yield on earnings assets as a result of the liquidity utilization plan together with the shift in loan mix amid the peak of the interest rate cycle.

For 1H24, NIM rose by 14 bps to 3.27% from 3.13% in 1H23. Going forward, we anticipate the slower pace of deposit volume acquisition to align with the asset growth momentum and liquidity management, thereby mitigating pressure on future funding costs. In addition, the Bank will continue to enhance risk-adjusted returns by shifting the loan mix towards selective high-yield retail loan areas. On top of that, we remain proactive in asset liability management including refining loan, deposit, and investment strategy to uphold overall margin down the road.

Figure 2: Net interest income (NII)

(THB million)	2Q24	1Q24	% QoQ	2Q23	% YoY	1H24	1H23	% YoY
Interest income	21,044	21,084	-0.2%	19,441	8.2%	42,128	37,917	11.1%
Interest on interbank and money market items	1,835	1,853	-1.0%	1,137	61.5%	3,688	1,951	89.0%
Investments and trading transactions	39	28	39.5%	16	151.2%	67	26	157.2%
Investments in debt securities	892	817	9.1%	684	30.4%	1,709	1,323	29.2%
Interest on loans	12,566	12,577	-0.1%	11,953	5.1%	25,143	23,220	8.3%
Interest on hire purchase and financial lease	5,713	5,809	-1.7%	5,653	1.1%	11,522	11,396	1.1%
Others	0.1	0.2	-43.8%	0.4	-76.1%	0.2	0.8	-69.4%
Interest expenses	6,859	6,688	2.6%	5,349	28.2%	13,547	10,322	31.2%
Interest on deposits	4,000	3,825	4.6%	2,692	48.6%	7,825	5,148	52.0%
Interest on interbank and money market items	590	593	-0.5%	380	55.1%	1,184	646	83.2%
Contributions to the Deposit Protection Agency	1,616	1,615	0.0%	1,639	-1.4%	3,231	3,269	-1.2%
Interest on debt issued and borrowings	637	639	-0.2%	622	2.5%	1,276	1,229	3.8%
Borrowing fee	5	5	-2.0%	6	-6.8%	11	11	-5.9%
Others	11	10	10.7%	9	15.0%	21	19	11.1%
Net interest income (NII)	14,185	14,396	-1.5%	14,093	0.7%	28,581	27,595	3.6%

Note: Consolidated financial statements

Figure 3: Yields and cost

(Annualized percentage)	2Q24	1Q24	4Q23	3Q23	2Q23	1H24	1H23
Yield on loans	5.63%	5.60%	5.53%	5.33%	5.19%	5.62%	5.11%
Yield on earning assets	4.84%	4.80%	4.77%	4.60%	4.39%	4.82%	4.30%
Cost of deposit	1.65%	1.58%	1.40%	1.28%	1.24%	1.61%	1.21%
Cost of funds	1.83%	1.76%	1.59%	1.46%	1.39%	1.80%	1.35%
Net interest margin (NIM)	3.26%	3.28%	3.39%	3.34%	3.18%	3.27%	3.13%

Note: Consolidated financial statements

Non-interest income (Non-NII)

For the 2nd quarter of 2024: The Bank posted THB3,187 million of non-interest income in 2Q24, which declined by 2.6% QoQ and 13.1% YoY mainly due to soft net fees and service income. Details are as follows:

- Net fees and service income was reported at THB2,209 million which decreased by 10.0% QoQ and 16.9% YoY. Such a QoQ decline was largely due to retail fees particularly Bancassurance fee (BA) that tied to new loan bookings.

For the key strategic fees, amidst economic uncertainties resulting in some consumers putting off their car demand and insurance product purchases, both auto and non-auto BA became relatively soft. While the YoY performance of BA fees also softened partially from the change in accounting estimation of deferred revenue amortization since 1Q24.

Having said that, the gross credit card fees regained good traction supported by higher credit card spending volume in both QoQ and YoY. In addition, the mutual fees (MF) held steady in positive territory growth given the gradually improving AUM amid the challenging market environment.

In terms of strategic commercial fees, loan-related fees regained momentum mainly from the commercial segment. Meanwhile, TF fees were relatively stable QoQ but remained soft YoY.

- Gain on financial instruments measured at fair value through profit or loss was THB388 million which declined by 15.3% QoQ and 8.2% YoY. Meanwhile, the FX fee softened this quarter following the challenging international trade activity against the backdrop of the global recession.
- Share of profit from investment using equity method decreased by 13.5% QoQ but increased by 17.8% YoY recorded at THB60 million.
- An increase in dividend income QoQ was due mainly to seasonality in dividend revenue streams while a YoY decline was based on business performance of strategic investments.

In the first half of 2024: Non-NII reported at THB6,460 million, declining by 8.2% YoY due to net fees and service income. Key items are as follows:

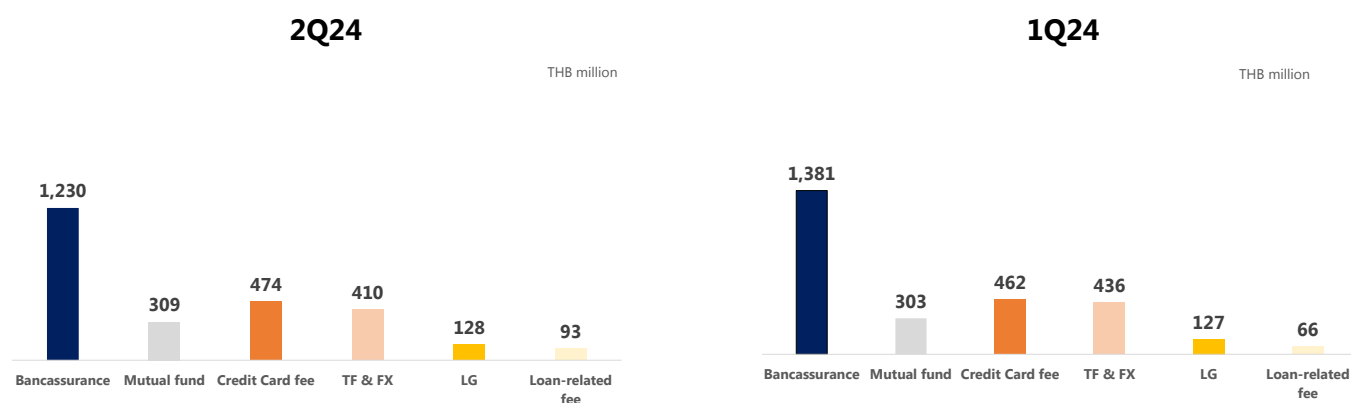
- Net fees and service income decreased by 10.6% YoY to THB4,664 million, mainly due to soft BA fees. Having said that, credit card fees, the key engine for strategic fees, continued to show positive traction following the Banks' consumer lending focus shoring up the overall fee income, while MF saw a gradual improvement YoY.
- Gain on financial instruments measured at fair value through profit or loss decreased by 5.7% YoY to THB845 million. On the other hand, we saw an improving momentum of FX fees due to business model development from providing more hedging solutions.
- Share of profit from investment using equity method increased by 2.5% YoY to THB130 million.
- Dividend income decreased by 8.5% YoY mainly from business performance of strategic investments.

Figure 4: Non-interest income (Non-NII)

(THB million)	2Q24	1Q24	% QoQ	2Q23	% YoY	1H24	1H23	% YoY
Fees and service income	3,133	3,414	-8.2%	3,545	-11.6%	6,547	7,046	-7.1%
Acceptance, Aval & Guarantee	133	134	-0.4%	140	-5.0%	267	286	-6.4%
Other fee and service income	3,000	3,280	-8.6%	3,405	-11.9%	6,280	6,760	-7.1%
Fees and service expenses	924	960	-3.7%	886	4.3%	1,884	1,827	3.1%
Net fees and service income	2,209	2,454	-10.0%	2,659	-16.9%	4,664	5,218	-10.6%
Gain on financial instrument measured at fair value through profit or loss	388	457	-15.3%	422	-8.2%	845	896	-5.7%
Gain (loss) on investments, net	69	47	47.7%	50	38.6%	116	39	201.2%
Share of profit from investment using equity method	60	69	-13.5%	51	17.8%	130	126	2.5%
Gain on sale of properties foreclosed, assets & other assets	77	39	96.8%	92	-16.0%	117	145	-19.3%
Dividend income	188	0	445,506.2%	203	-7.7%	188	205	-8.5%
Others	196	206	-4.6%	190	3.4%	402	406	-1.0%
Non-interest income	3,187	3,273	-2.6%	3,668	-13.1%	6,460	7,035	-8.2%

Note: Consolidated financial statements

Figure 5: Strategic non-interest income



Note: Consolidated financial statements - gross income.

*Bancassurance is included fees from TMBThanachart Broker, ttb broker, our fully owned subsidiary and operating non-life brokerage business, is becoming an important role to auto car insurance. TTb has moved car insurance renewal to service at ttb broker and improve sale efficiency in branch staff.

Non-interest expenses

For the 2nd quarter of 2024: The Bank recorded THB7,210 million of total non-interest expenses which dropped by 4.8% QoQ and 8.3% YoY. Key items are as follows:

- Employee expenses declined by 8.4% QoQ and 10.9% YoY to THB3,781 million, mainly owing to variable incentive compensation and HR cost savings aligned with our streamlining costs strategy to achieve optimal efficiency.
- Premises and equipment expenses decreased by 3.2% QoQ and 2.6% YoY to THB1,159 million. Such declines were from repair and maintenance and depreciation expenses.
- Other expenses recorded at THB1,806 million, increasing by 4.8% QoQ but decreasing by 4.9% YoY. Such QoQ increase was mainly due to software and marketing expenses. While YoY decline was due to selling and marketing expenses.

In the first half of 2024: Non-interest expenses decreased by 2.5% YoY to THB14,781 million. Key factors are as follows:

- Employee expenses dropped by 5.0% YoY to THB7,910 million due to cost efficiency.
- Premises and equipment expenses decreased by 1.6% YoY to THB2,356 million, mainly resulting from premise management.
- Other expenses increased by 1.2% YoY to THB3,530 million, owing to software expenses in line with digital transformation initiatives.

Figure 6: Non-interest expenses

(THB million)	2Q24	1Q24	% QoQ	2Q23	% YoY	1H24	1H23	% YoY
Employee expenses	3,781	4,129	-8.4%	4,244	-10.9%	7,910	8,326	-5.0%
Directors' remuneration	26	28	-6.4%	68	-61.7%	54	78	-30.9%
Premises and equipment expenses	1,159	1,197	-3.2%	1,189	-2.6%	2,356	2,395	-1.6%
Taxes and duties	439	493	-10.9%	463	-5.2%	931	880	5.9%
Other expenses	1,806	1,724	4.8%	1,899	-4.9%	3,530	3,488	1.2%
Non-interest expenses	7,210	7,570	-4.8%	7,863	-8.3%	14,781	15,166	-2.5%

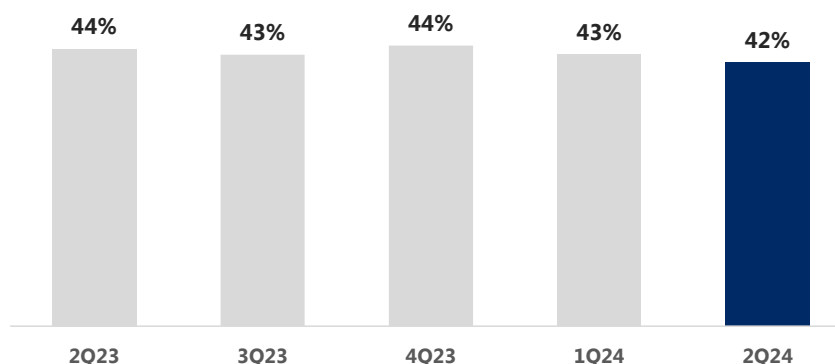
Note: Consolidated financial statement

2Q24 Cost to income ratio was at 42%, improving from the previous quarter and the same period last year.

In 2Q24, the cost-to-income ratio (C/I ratio) was at 42%, down from 43% in 1Q24 and 44% in 2Q23. With the stringent cost discipline, the level of C/I ratio was improving and substantiating our ongoing and successful efforts to improve efficiency in cost management though we continue to invest in digital capabilities, resulting in a well-managed level of C/I ratio within the range of 42-43%.

In 1H24, C/I ratio was at 42%, improving from 44% in 1H23. As prudent cost control is also one of our priorities, the Bank will balance between cost management and investment to improve business efficiency towards a digital-first business model. With the support of such business direction, this would help enhance revenue generation and improve operational efficiency, aiming to achieve the aspirational target of low-40s C/I within 2026.

Figure 7: Cost to income ratio

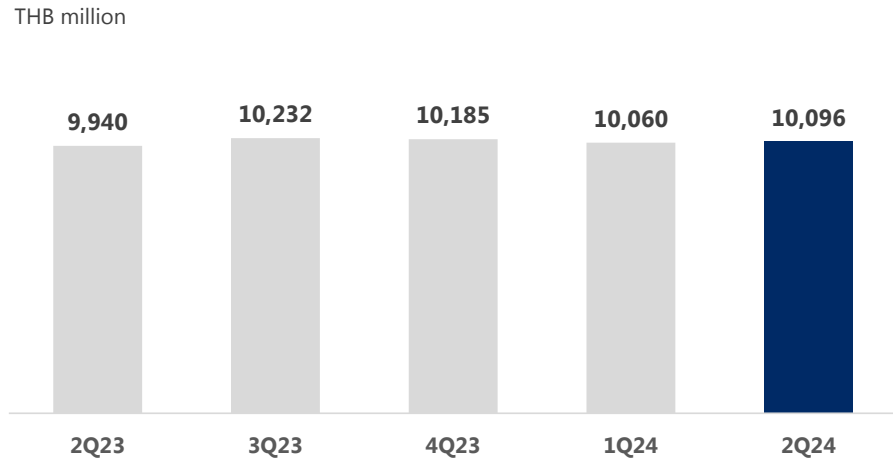


Note: Consolidated financial statements

Operating profit and Expected Credit Loss

Pre-provision operating profit (PPOP): PPOP amounted to THB10,096 million in 2Q24, slightly increased by 0.4% QoQ and 1.6% YoY. PPOP for the first half of 2024 was at THB20,156 million, growing by 3.4% YoY.

Figure 8: Pre-provision operating profit (PPOP)



Note: Consolidated financial statements

Setting aside 2Q24 ECL of THB5,281 million including extra provision under prudent ECL model.

Expected Credit Loss (ECL): Asset quality management remained one of our priorities amid this uncertain economic recovery. The Bank has maintained a prudent approach and closely monitored asset quality with a prudent ECL model and considered forward-looking risks through Management Overlay.

On top of our quality loan growth strategy and tightening underwriting criteria, we have continued to proactively clean up and de-risk weak loans through effective sales and write-off activities to ensure balance sheet healthiness amidst the slow economic recovery. While foreseeing future economic uncertainties, with our financial flexibility, we continued to set aside extra management overlay (MO) by THB1,087 million, to strengthen the risk absorption buffer, resulting in the total ECL in 2Q24 amounted to THB5,281 million, equivalent to 163 bps in terms of credit cost. Meanwhile, the normal risk cost equaled THB4,194 million, or equivalent to a credit cost of 129 bps.

For the first 6-month period of 2024, ECL amounted to THB10,397 million, an increase of 22.0% YoY, equivalent to 159 bps in terms of credit cost. The normal risk cost equaled THB8,708 million, or equivalent to a credit cost of 133 bps, which remained in line with the target guidance. The current ECL level has reflected our manageable portfolio quality. In addition, the coverage ratio remained robust at 152% at the end of June 2024.

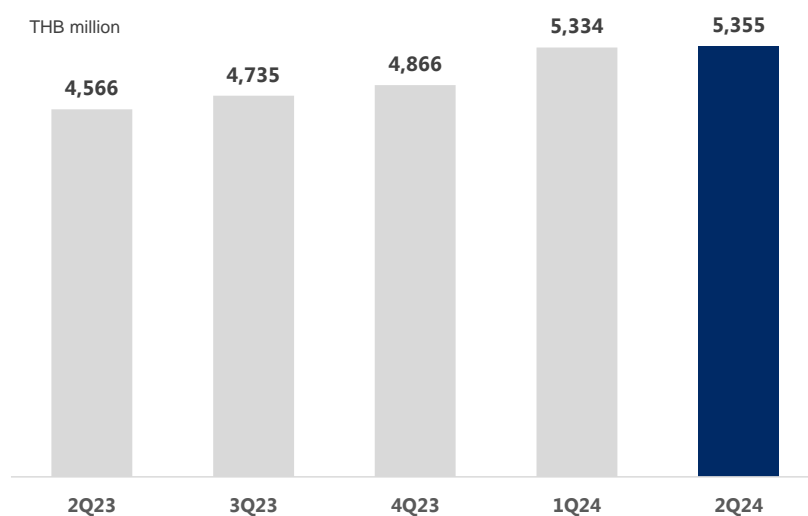
Figure 9: Expected Credit Loss (ECL) and credit cost

(THB million)	2Q24	1Q24	% QoQ	2Q23	% YoY	1H24	1H23	% YoY
Expected credit loss	5,281	5,117	3.2%	4,244	24.4%	10,397	8,520	22.0%
Credit cost (bps) - annualized	163	156		125		159	126	

Note: Consolidated financial statements

Net profit: After provision and tax benefit, net profit in 2Q24 was THB5,355 million which increased by 0.4% QoQ and 17.3% from the same period last year. It represented an ROE of 9.2%, relatively stable from 1Q24 but improving from 8.2% in 2Q23. For the first 6-month period of 2024, net profit equaled THB10,689 million, representing an ROE of 9.2%.

Figure 10: Net Profit (to equity holder of the Bank)



Note: Consolidated financial statements

(Please see the next session for the discussion of financial position)

Discussion of financial position

Figure 11: Selected financial position (Consolidated)

(THB million)	Jun-24	Mar-24	%QoQ	Dec-23	%YTD
Cash	13,050	13,367	-2.4%	15,487	-15.7%
Interbank and money market items, net	256,815	265,963	-3.4%	267,486	-4.0%
Financial assets measured at fair value through profit or loss	9,657	6,308	53.1%	2,470	290.9%
Derivative assets	7,085	8,982	-21.1%	7,236	-2.1%
Investments, net	179,588	170,199	5.5%	179,088	0.3%
Investments in subsidiaries and associate, net	8,585	8,684	-1.1%	8,614	-0.3%
Total loans to customers	1,296,705	1,314,641	-1.4%	1,327,964	-2.4%
<i>Add</i> accrued interest receivables and undue interest receivables*	8,522	8,702	-2.1%	8,674	-1.8%
<i>Less</i> allowance for expected credit loss	60,815	61,801	-1.6%	63,502	-4.2%
Total loans to customers and accrued interest receivables, net	1,244,412	1,261,542	-1.4%	1,273,136	-2.3%
Properties for sale, net	13,446	12,509	7.5%	12,312	9.2%
Premises and equipment, net	18,782	20,307	-7.5%	20,859	-10.0%
Goodwill and other intangible assets, net	23,585	23,444	0.6%	23,434	0.6%
Deferred tax assets	2,530	1,856	36.3%	1,560	62.2%
Other assets, net	13,497	14,443	-6.6%	12,751	5.8%
Total Assets	1,791,034	1,807,603	-0.9%	1,824,434	-1.8%
Deposits	1,365,452	1,372,643	-0.5%	1,386,581	-1.5%
Interbank and money market items	88,967	82,143	8.3%	87,794	1.3%
Financial liabilities measured at fair value through profit or loss	3,963	3,190	24.2%	1,816	118.2%
Debts issued and borrowings, net	45,421	60,319	-24.7%	59,531	-23.7%
Other liabilities	52,595	54,192	-2.9%	59,364	-11.4%
Total Liabilities	1,556,399	1,572,487	-1.0%	1,595,087	-2.4%
Equity attributable to equity holders of the Bank	234,635	235,116	-0.2%	229,347	2.3%
Non-controlling interest	0	0	-2.9%	0	16.3%
Total equity	234,635	235,116	-0.2%	229,347	2.3%
Total liabilities and equity	1,791,034	1,807,603	-0.9%	1,824,434	-1.8%
Book value per share (Baht)	2.41	2.42	-0.4%	2.36	2.1%

Note: Consolidated financial statements

* For credit impaired loans to customers and accrued interest are presented net from allowances for expected credit loss

Assets

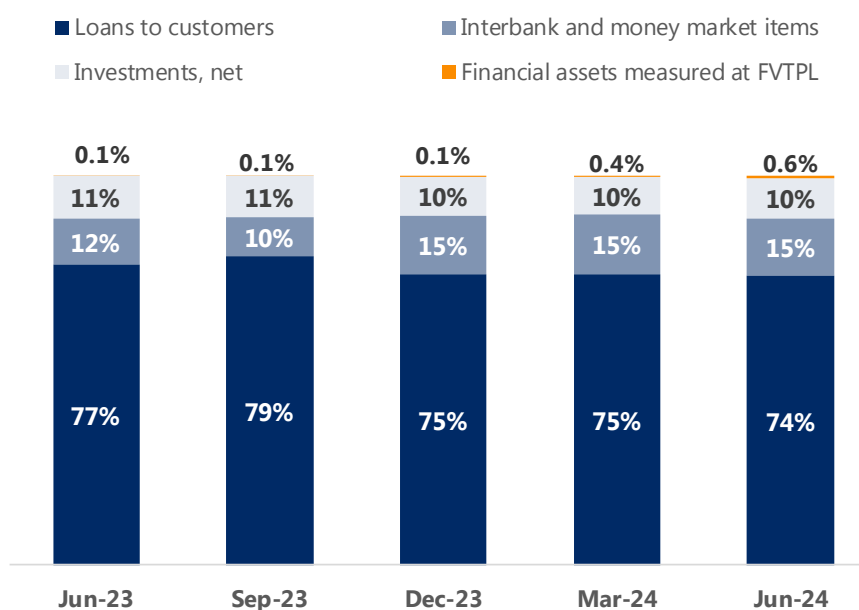
As of 30 June 2024, total assets on a consolidated basis were THB1,791,034 million, decreasing marginally by 0.9% QoQ and 1.8% YTD. Key items are as follows:

- Total loans to customers and accrued interest receivables net declined by 1.4% QoQ and 2.3% YTD to THB1,244,412 million. (Details in the following section).
- Net interbank and money market items decreased by 3.4% QoQ and 4.0% YTD to THB256,815 million. Such a decrease was aligned with our liquidity management.

- Net investments and financial asset measured at fair value through profit or loss rose by 7.2% QoQ and 4.2% YTD to THB189,245 million, mainly due to increase in investment in debt securities measured at FVOCI and financial assets measured at FVTPL aligned with our current investment strategy to improve overall portfolio return amid this high rate environment.

After the merger, loans to customers were still the largest portion of earning assets. As of 30 June 2024, loans to customers represented 74.4% of earning assets. This was followed by interbank and money market of 14.7%, investments of 10.3%, and financial assets measured at fair value through profit or loss of 0.6%, respectively.

Figure 12: Earning assets



Note: Consolidated financial statements

Investment Classification

Under TFRS9, investment items are classified into 3 categories; fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and measured at amortized cost. As of 30 June 2024, investments were classified as follows:

(THB million)	30 Jun 2024	31 Mar 2024
Financial assets measured at FVTPL	9,657	6,308
Investments in debt securities measured at amortized cost	59,844	55,881
Investments in debt securities measured at FVOCI	118,092	112,017
Investments in equity securities measured at FVOCI	1,652	2,301
Net Investment*	179,588	170,199
Total Investment	189,245	176,507

Note: Consolidated financial statements

* Net investments comprised of investments measured at amortized cost and measured at FVOCI

Total loans to customers and accrued interest receivables

As of 30 June 2024, TTB recorded total loans to customers and accrued interest receivables-net on a consolidated basis of THB1,244 billion, decreasing by 1.4% from March 2024 (QoQ) and 2.3% from December 2023 (YTD). In terms of total loans to customers on a consolidated basis (excluding accrued interest receivables and allowance for ECL), the figure amounted to THB1,297 billion, which declined by 1.4% QoQ and 2.4% YTD.

Against the backdrop of heightened economic uncertainties during the first half of 2024, the current growth momentum was reaffirmed with the Bank's strategy to selectively grow quality portfolios and efficiently optimize liquidity towards selective areas with justified risk-adjusted returns while continuing to leverage the Bank's core strengths and expertise. Details are as follows:

- Retail lending on a consolidated basis declined by 1.6% QoQ and 2.8% YTD, mainly attributable to secured portfolios both hire purchase and mortgage lending. Meanwhile, the progress of target segments of top-up loans namely Cash Your Car (CYC) and Cash Your Home (CYH) remain positively on track

Amid the ongoing challenges in the car market both in terms of customers' demand and price volatility, the overall hire purchase portfolio slowed down by 3.3% QoQ and 4.8% YTD mainly from both new car and used car segments that were aligned with our strategy to selectively grow the quality portfolio and tighten underwriting criteria. Having said that, we have continued to leverage quality existing customers while improving risk-adjusted returns; Cash Your Car (CYC) continued to expand by 1.8% QoQ and 5.5% YTD.

Similarly, the Bank remained vigilant in the mortgage area during the unfavorable environment for homebuyers. As a result, mortgage lending saw a contraction of 0.7% QoQ and 1.5% YTD. However, the growth momentum of targeted home equity, Cash Your Home (CYH), remained on the positive trajectory, growing steadily by 3.8% QoQ and 6.9% YTD.

In terms of consumer lending, reflecting our ongoing effort to build up a more fair share in the consumer loans area through ttb consumer, personal loans continued the positive momentum by expanding 2.8% QoQ and 6.8% YTD. Meanwhile, credit card loans also rose by 3.9% QoQ but slightly declined by 1.1% YTD.

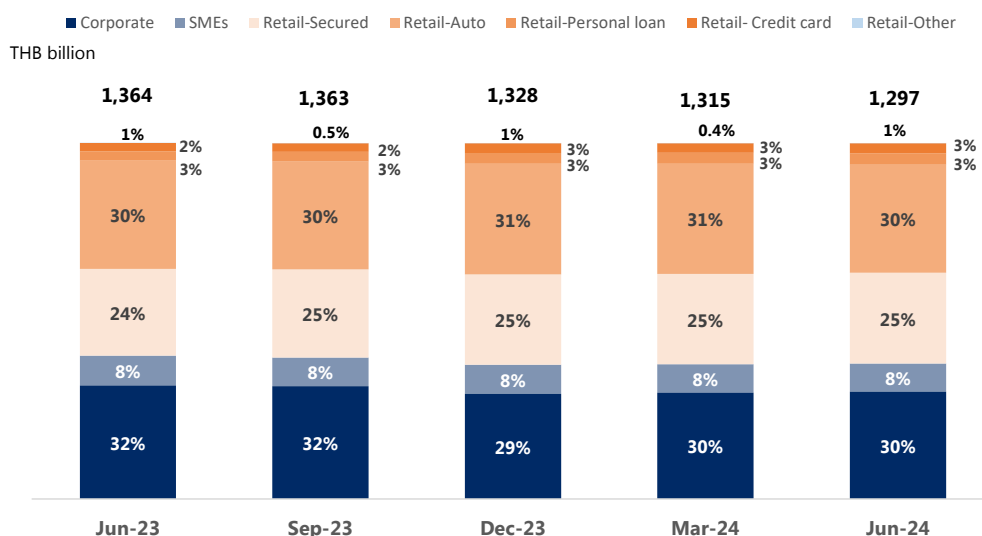
- Corporate lending on a consolidated basis decreased marginally by 0.5% QoQ and 0.4% YTD, mainly from the slowdown in term loans aligned with our strategic move in recycling liquidity from low yield portfolio to selectively grow towards secured higher-yield loan space. Meanwhile, we saw pick-up in demand for Working capital loans and trade finance during the quarter.
- SME segment (Small and Medium SME) declined by 2.5% QoQ and 5.7% YTD, aligned with our stance to maintain a conservative position by de-risking the SME portfolio.

In terms of loan breakdown by customer segments, the loan portfolio has diversified and shifted to the retail segment since the merger. As of 30 June 2024, retail loans accounted for 62% while corporate loans were 30% and SMEs were 8% of total portfolio.

In terms of key products, 30% of total loan was hire purchase, followed by mortgage of 25%, term loan of 16%, working capital (OD&RPN) of 16%, unsecured & credit card of 6%, trade finance of 6%, and others 1%, respectively.

As of 30 June 2024, HP portfolio consisted of new car of 66%, Cash Your Car (CYC) of 20%, used car of 14%, and Cash Your Book (CYB) of 0.4%, respectively.

Figure 13: Total loan to customers breakdown by customer segment



Note: Consolidated financial statements

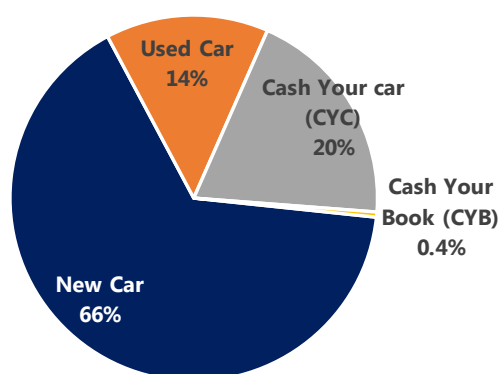
There was the reclassification of retail-other to mortgage loan in Jan 2023 after internal annual review loan portfolio and, for comparison purpose, we reclassified retrospectively.

Segment definition:

Corporate: customers with annual sales volume more than THB400 million

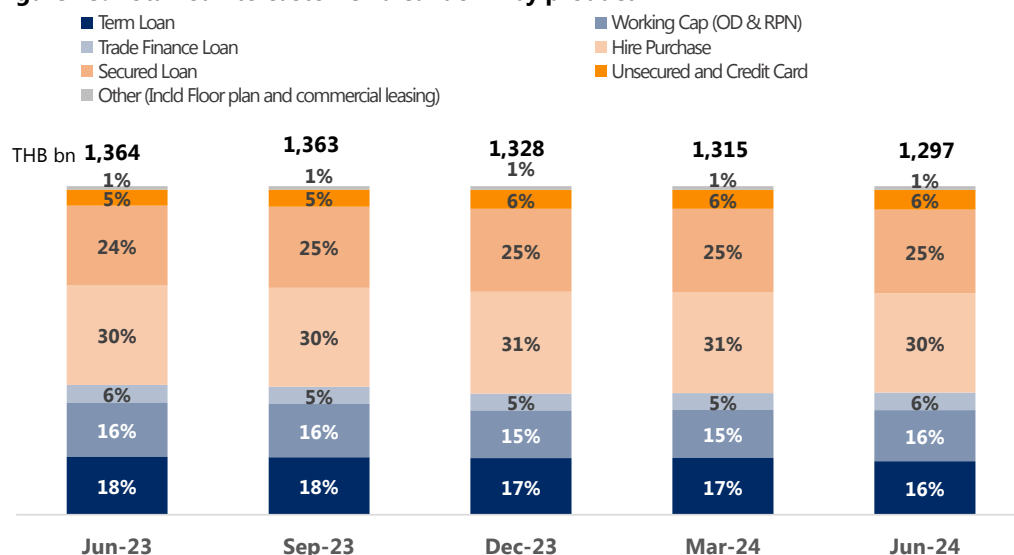
SME: small and medium SME customers with annual sales volume up to THB400 million, including owner operators

Figure 14: Hire purchase breakdown



Note: Consolidated financial statements

Figure 15: Total loan to customer breakdown by product



Note: Consolidated financial statements

Total modified loan portfolio

Despite the expiration of relief measures during Covid-19 and the Bank of Thailand's Blue/Orange scheme, the Bank remains proactive in providing proper aids to customers amidst this high interest rate environment. The Bank's overall portfolio quality remained stable as we have been prudent in staging classification as well as risk management.

As of June 2024, TTB's total modified portfolio (which included legacy restructured loans before Covid-19 and all types of modified loans under the debt restructuring program) stood at approx. 11% of total loans, relatively stable from March 2024 and December 2023.

Asset Quality

Under TFRS9, loans are classified into 3 stages based on changes in credit quality identified since initial recognition. The expected credit loss (ECL) framework is based on the requirements of the Thai Financial Reporting Standard No. 9 Financial Instruments (TFRS 9) which became effective on January 1, 2020 onwards.

The Bank calculated and reported impairment based on our ECL model-based calculation which is a probability-weighted estimate of credit loss over the expected life of financial instruments, adjusted with forward-looking assumptions to take into account the expectation of future macro-economic outlook and potential impacts on our loan portfolio.

As of 30 June 2024, Loans and allowance for expected credit loss were classified as follows:

Figure 16: Loan and accrued interest receivables classification and allowance for expected credit loss*

30 Jun 2024		
(THB million)	Loans to customer and accrued interest receivables	Allowance for expected credit Loss
Stage 1 (Performing)	1,145,049	14,931
Stage 2 (Under-performing)	120,073	28,930
Stage 3 (Non-performing)	40,105	16,954
Total	1,305,227	60,815

31 Dec 2023		
(THB million)	Loans to customer and accrued interest receivables	Allowance for expected credit Loss
Stage 1 (Performing)	1,174,852	15,602
Stage 2 (Under-performing)	120,780	28,195
Stage 3 (Non-performing)	41,006	19,705
Total	1,336,638	63,502

Note: Consolidated financial statement, Loan and accrued interest receivable of stage 3 is presented on a net basis

Stage 3 loans (Non-performing loan) and NPL ratio, excluded accrued interest receivables

According to the new accounting standard under TFRS9 which was implemented on 1 January 2020, non-performing loans is classified as stage 3.

Against the current macroeconomic backdrop where the country has been facing sluggish economic growth and weak domestic demand as well as the global recession. The future uncertainties also stem from structural challenges such as elevated household debt, limited deleveraging capabilities, and other idiosyncratic risks, especially in the vulnerable segment, these factors continued to overcloud the overall business environment and prospects of the banking industry as a whole.

Having said that, the Bank has set a clear direction and strategic focus aiming at safeguarding the Bank's financial position and portfolio quality. With the ongoing quality growth strategy and stringent risk management principles, the overall portfolio quality of the Bank remained manageable; the pace of NPL formation and loan slippage remained under control. Despite that, the Bank will maintain prudent and precautionary approaches in managing loan modification to mitigate future downside risks and ensure B/S healthiness.

In addition, we have continued to proactively de-risk and resolve weak loans to ensure our portfolio quality and limit future downside risks through NPL sales and write-off activities. In this quarter, the Bank and its subsidiaries wrote off NPLs amounting to approximately THB7.0 billion, increasing from THB6.8 billion in 1Q24, and sold THB0.5 billion of NPLs compared to THB0.4 billion the previous quarter.

As a result, as of 30 June 2024, Stage 3 loans (NPLs) on a consolidated basis, were reported at THB40,105 million, relatively stable from THB39,759 million at the end of March 2024 and improving from THB41,006 million at the end of December 2023.

Stage 3 loans (NPLs) on a bank-only basis amounted to THB36,430 million, relatively stable from THB36,532 million in March 2024 and THB36,347 million in December 2023.

As of 30 June 2024, NPL ratio on a consolidated basis was recorded at 2.64%, well-contained in comparison with 2.56% at the end of March 2024 and 2.62% at the end of December 2023. Meanwhile, NPL ratio on a bank-only basis stood at 2.41%, which remained manageable compared to 2.36% as of March 2024 and 2.33% as of December 2023

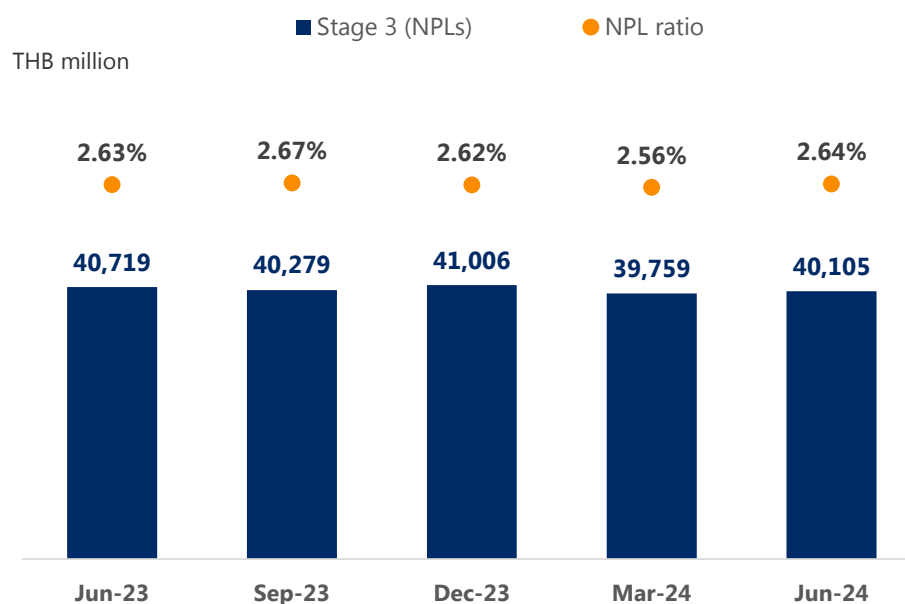
In sum, the asset quality situation of the Bank remained at a manageable level as a result of the quality growth strategy and proactive NPL resolution. In addition, with our prudent risk management, stage 3 ratio remained in-line with the target guidance of $\leq 2.9\%$.

Allowance for expected credit loss

Given the current unfavorable economic conditions and unforeseen risks, the Bank remains prudent in provision setting, proactively reviews, and sets aside management overlay (MO) to cover both the Probability of default (PD) and Loss given default (LGD) shift. Furthermore, the Bank has closely monitored customers' debt serviceability in order to reflect real behavior in the ECL model and offered further assistance to those in need in a timely manner. Thus, the allowance for expected credit loss was set at the prudent level, preparing for future uncertainties.

As of 30 June 2024, the Bank and its subsidiaries reported the allowance for expected credit loss at THB60,815 million, which decreased by 1.6% QoQ and 4.2% YTD. Such declines were in part of write-off activities to keep the portfolio clean. We have proactively de-risked the weak portfolio while prudently classifying and maintaining the loan loss buffer by setting aside additional provisions on top of the normal provision level as an extra cushion for future economic uncertainties, to ensure that our asset quality has been kept in check. In addition, the coverage ratio remained robust at 152%.

Figure 17: Stage 3 loan (NPLs) and NPL ratio



Note: Consolidated financial statement, non-performing loans classified as stage 3

Liabilities and Equity

As of 30 June 2024, total liabilities and equity on a consolidated basis was reported at THB1,791,034 million, decreasing by 0.9% QoQ and 1.8% from the end of December 2023.

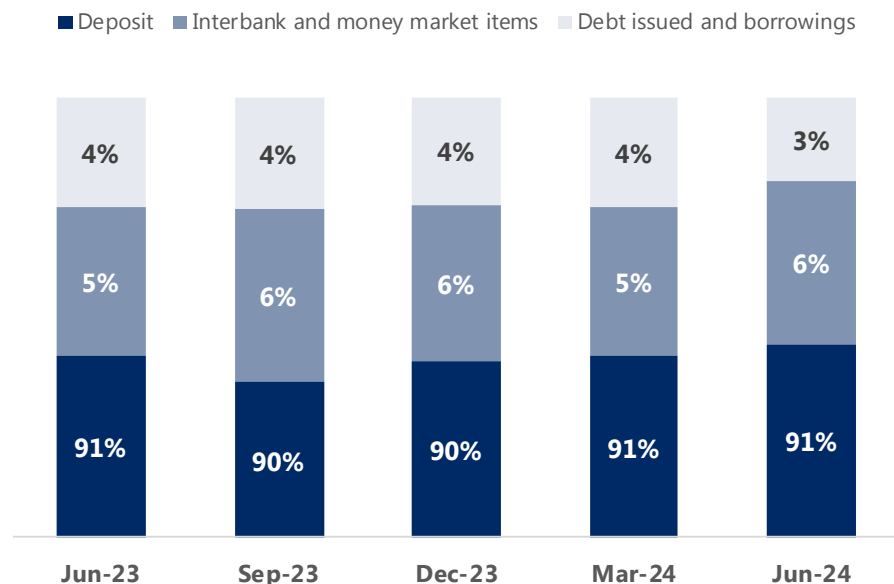
Total consolidated liabilities were THB1,556,399 million, declining by 1.0% QoQ and 2.4% from the end of December 2023. Details of key figures are as follows;

- Total deposits were THB1,365,452 million, which dropped by 0.5% QoQ and 1.5% YTD.(see details in the following section)
- Interbank and money market items amounted to THB88,967 million which increased by 8.3% QoQ and 1.3% YTD, mainly due to the Bank's liquidity management.
- Borrowings were recorded at THB45,421 million which decreased by 24.7% QoQ and 23.7% YTD. (see details in the following section)

The consolidated equity was THB234,635 million, decreasing by 0.2% QoQ but increasing by 2.3% YTD. Such QoQ decrease was mainly due to dividend payment outweighing the accumulation of the net profit.

The deposit was the largest composition of interest-bearing liabilities. As of 30 June 2024, deposits represented 91% of interest-bearing liabilities. This was followed by interbank and money market items of 6% and debt issued and borrowings of 3%.

Figure 18: Interest-bearing liabilities breakdown



Note: Consolidated financial statement

Deposits

As of 30 June 2024, the Bank and its subsidiaries reported total deposits on a consolidated basis of THB1,365,452 million which declined by 0.5% QoQ and 1.5% from the end of 2023. Such contractions were mainly due to shifting in No-Fixed deposit to Time Deposit (TD) which offers higher rates, reflecting the lock-in demand in the light of the peak of the current interest rate cycle.

Deposit breakdown by products

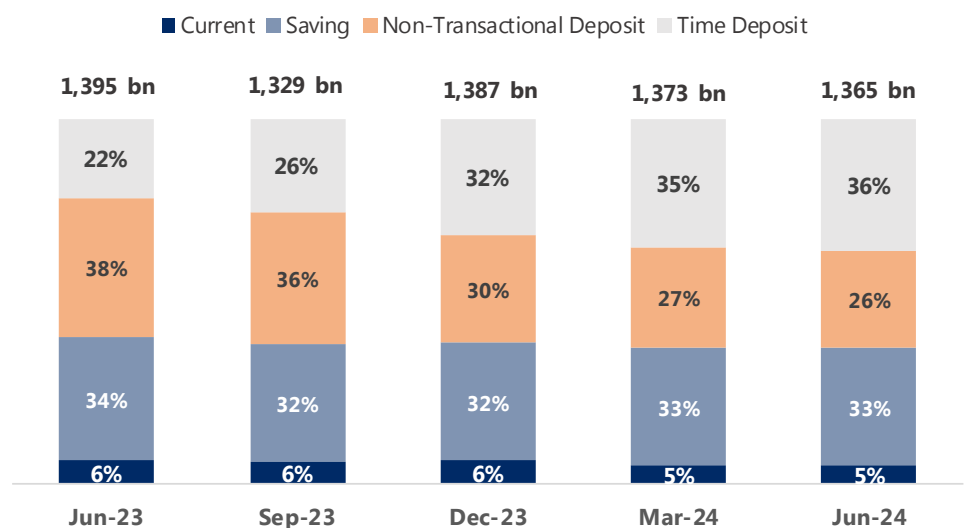
The Bank has continued to strategically optimize the deposit level to align with loan growth momentum and liquidity position while efficiently managing the cost of funds under this interest rate environment. We have started to shift product offerings towards shorter duration TD such as TD Quick 12M to further deepen relationships with customers while managing the funding cost ahead of the tapering cycle. As a result, TD continued to expand by 2.9% QoQ and 12.9% YTD. In turn, No-Fixed deposit declined by 5.2% QoQ and 14.1% YTD.

The overall YTD deposit momentum was still in-line with the bank's target guidance and asset growth momentum, and liquidity management. In addition, given the current level of Loan-to-Deposit ratio (LDR) of 95%, we anticipate lower pressure on deposit acquisition and funding costs in 2H24. However, we will continue to leverage our digital platform and ecosystem play initiatives to ensure overall margin and profitability remain intact.

As of June 2024, retail deposit proportion represented 73% and commercial deposit represented 27% of total deposits. In terms of deposit structure, the ratio of non-transactional deposit to total deposit was reported at 26% while transactional deposit (CASA-excluded No-Fixed and ME Save) accounted for 38%, Time Deposit accounted for 36%, respectively.

Figure 19: Deposit structure by products

THB billion



Note: Consolidated financial statement

Remark: "TTB No Fixed" and "ME" are classified as savings account as they are not required to maintain minimum balance and have no restriction to term of deposit, presented in this graph as non-transactional deposit.

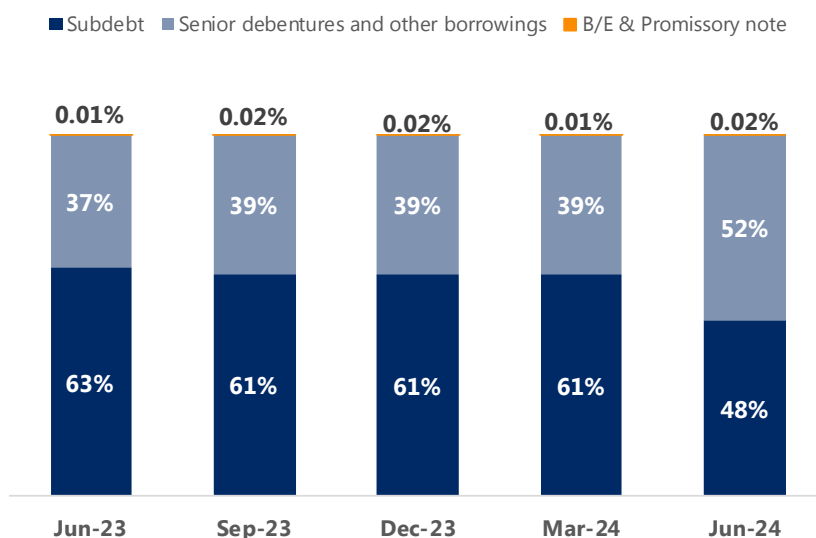
Borrowing decreased by 24.7% QoQ mainly due to the early redemption of the Subordinated debt Tier 2.

Borrowings

As of 30 June 2024, total borrowings of the Bank and its subsidiaries recorded at THB45,421 million which decreased by 24.7% QoQ and 23.7% YTD. Such declines were mainly due to the early redemption of the Subordinated debt Tier 2 where the amount is partially rolled over at a lower interest rate.

In terms of borrowing structure, 52% was senior debentures. This was followed by sub-debt of 48% and BE of 0.02%.

Figure 20: Borrowings breakdown



Note: Consolidated financial statements

Liquidity and loan-to-deposit ratio

TTB has a strong liquidity position and has maintained a high proportion of liquid and low-risk assets.

As of 30 June 2024, on a consolidated basis, total liquid assets represented 17.9% of the total assets. The liquid assets consisted of cash (0.7%), interbank & money market items (14.3%), short-term investment (2.3%), and short-term financial assets measured at FVTPL (0.5%).

In terms of loan-to-deposit ratio (LDR), on a consolidated basis was at 95%, improving from 96% as of March 2024 and 98% as of June 2023.

With the Bank's funding strategy to diversify funding sources through debt issued and borrowings, Loan to deposit and debt issue and borrowings was recorded at 92% as of June 2024.

Figure 21: Liquid asset allocation and loan to deposit ratio

Liquid assets	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23
Cash	0.7%	0.7%	0.8%	0.8%	0.8%
Interbank and money market	14.3%	14.7%	14.7%	9.6%	11.6%
Short-term investment	2.3%	2.8%	3.4%	3.5%	3.3%
Short-term financial assets at FVTPL	0.5%	0.3%	0.1%	0.03%	0.1%
Liquid assets/Total assets	17.9%	18.6%	19.0%	13.9%	15.8%
Loan to deposit ratio (LDR)	95%	96%	96%	102%	98%

Note: Consolidated financial statement

Capital Adequacy

Maintain high capital ratios under Basel III

The Bank consistently ensures a robust capital base. As of 30 June 2024, Capital Adequacy Ratio (CAR) on a consolidated basis under Basel III calculation was at 19.5%, while Tier 1 ratio and CET 1 ratio stayed at 17.1% and 16.6%, respectively. Such levels were well above the Bank of Thailand's minimum requirement (including conservation buffer and the D-SIBs buffer) of 12.0%, 9.5%, and 8.0% of CAR, Tier 1 ratio, and Core Tier 1 ratio, respectively.

Figure 22: Capital adequacy ratio (CAR) and Tier 1 capital under BASEL III

(as % to risk-weighted assets)	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23
Capital Adequacy Ratio (CAR)	19.5%	20.8%	20.7%	19.9%	19.8%
Tier I Ratio (Tier 1)	17.1%	17.0%	17.0%	16.3%	16.1%
Core Tier 1 Ratio (CET1)	16.6%	16.7%	16.7%	16.1%	15.7%

Note: Consolidated financial statement

TTB's Financial Summary

(THB million)	2Q24	% QoQ	% YoY	1H24	% YoY
Net interest income (NII)	14,185	-1.5%	0.7%	28,581	3.6%
Non-interest income (Non-NII)	3,187	-2.6%	-13.1%	6,460	-8.2%
Non-interest expenses	7,210	-4.8%	-8.3%	14,781	-2.5%
Pre-provision operating profit (PPOP)	10,096	0.4%	1.6%	20,156	3.4%
Expected credit loss (ECL)	5,281	3.2%	24.4%	10,397	22.0%
Net profit to equity holders of the Bank	5,355	0.4%	17.3%	10,689	20.6%

(THB million)	30-Jun-24	31-Mar-24	%QoQ	31-Dec-23	% YTD
Total loan to customers	1,296,705	1,314,641	-1.4%	1,327,964	-2.4%
Total assets	1,791,034	1,807,603	-0.9%	1,824,434	-1.8%
Deposit	1,365,452	1,372,643	-0.5%	1,386,581	-1.5%
Debt issued and borrowings, net	45,421	60,319	-24.7%	59,531	-23.7%
Total liabilities	1,556,399	1,572,487	-1.0%	1,595,087	-2.4%
Total equity	234,635	235,116	-0.2%	229,347	2.3%

Key ratios	2Q24	1Q24	2Q23	1H24	1H23
Net interest margin (NIM)	3.26%	3.28%	3.18%	3.27%	3.13%
Non-interest income to total assets	0.71%	0.72%	0.81%	0.72%	0.78%
Cost to income ratio	41.7%	43.0%	43.8%	42.3%	43.5%
Return on equity (ROE)	9.2%	9.2%	8.2%	9.2%	8.0%
Return on asset (ROA)	1.2%	1.2%	1.0%	1.2%	1.0%
NPL / Stage 3 (THB mn)	40,105	39,759	40,719	40,105	40,719
NPL / Stage 3 ratio	2.64%	2.56%	2.63%	2.64%	2.63%
Credit cost (bps) - annualized	163	156	125	159	126
Loan to deposit ratio (LDR)	95%	96%	98%	95%	98%
LDR + Debt issued & borrowings to deposit	92%	92%	94%	92%	94%
Capital adequacy ratio (CAR)	19.5%	20.8%	19.8%	19.5%	19.8%
Tier 1 capital ratio (Tier 1)	17.1%	17.0%	16.1%	17.1%	16.1%
Core tier 1 capital ratio (CET 1)	16.6%	16.7%	15.7%	16.6%	15.7%
TTB Bank's employees	13,965	14,232	14,388	13,965	14,388
Group's employees	14,939	15,240	15,316	14,939	15,316
Domestic branches	488	513	541	488	541
ATMs, ADMs and All-in-One	2,612	2,693	3,308	2,612	3,308

Note: Consolidated financial statements

Additional Information: Credit rating profile

Moody's

	International rating	Outlook
Bank Deposits	Baa1/P-2	Stable
Baseline Credit Assessments (BCAs)	baa3	
Senior Unsecured	(P)Baa1	

Latest Changes: June 2020, Moody's has affirmed long-term rating and revised outlook to stable.

Standard & Poor's

	International rating	Outlook
Long-Term Counterparty	BBB-	Stable
Short-Term Counterparty	A-3	
Senior Unsecured	BBB-	
Stand-Alone Credit Profile (SACP)	bb	

Latest Changes: March 2022, Standard & Poor's has downgraded long-term rating and revised outlook to stable.

Fitch Ratings

	International rating	Outlook
Long-Term IDR	BBB	Stable
Short-Term IDR	F2	
Senior Unsecured	BBB	
Viability Rating	bbb-	
Support Rating Floor	BBB	
Support Rating	2	
	National Rating	
Long-Term	AA+ (tha)	
Short-Term	F1+(tha)	
Subordinated Debt	A (tha)	

Latest Changes: September 2021, Fitch Ratings has upgraded long-term IDR and Support rating floor with stable outlook.



Disclaimer

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